

Bills Digest
No. 76 2000-01

Appropriation Bill (No. 3) 2000-2001

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INFORMATION AND RESEARCH SERVICES

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Appropriation Bill (No. 3) 2000-2001

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Appropriation Bill (No. 3) 2000-2001

Date Introduced: 29 November 2000

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Royal Assent.

Purpose

To authorise the Minister for Finance to issue \$1.879 billion from the Consolidated Revenue Fund (CRF) in addition to funds appropriated by the *Appropriation Act (No.1) 2000-01*.

Background

Annual authorisations for expenditure are contained in:

- *Appropriation Act (No.1)*, which authorises expenditure for the ordinary annual services of government
- *Appropriation Act (No.2)*, which authorises expenditure on capital works and services, payments to the States and other purposes not authorised by special legislation, and
- *Appropriation (Parliamentary Departments) Act* which authorises expenditure for the five parliamentary departments.

However, if the initial appropriation is insufficient for the financial year additional appropriations may be sought. These additional appropriations, known as additional estimates, are extra spending requirements - for example, for cost overruns in existing programs or for new programs - not foreseen when the Budget was presented.

From 1999-2000 the method of tabulating the Budget and additional estimates has differed from previous additional estimates in two main ways. First, the estimates documentation is presented in an outcomes and outputs framework. Previous estimates were based on a

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program approach. Second, the estimates use an accrual budgeting framework. Prior to 1999-2000 budgets used a cash framework.

Accrual budgeting allows for the incorporation of all assets, liabilities, expenses and revenues, including cash receipts and expenditures. Under accrual budgeting, agencies are funded for the full cost of their functions, including non-cash costs such as employee entitlements such as long service leave or depreciation. Thus the amount an agency is appropriated under accrual budgeting in any one year may exceed its cash costs. Any unspent amount is accumulated for use in future years when required - for example accumulated depreciation to replace buildings and equipment.

As noted in the Second Reading Speech to the additional appropriation Bills, there have also been savings in various items from the Budget appropriations and this must be considered when determining the total effect on government outlays from the additional amounts appropriated. Savings from the initial amount appropriated by Appropriation Acts Nos. 1 and 2 are contained in the Department of Finance and Administration Information Paper titled *Statement of Savings in Annual Appropriations*.

In relation to funding for the 'ordinary annual services of government' contained in *Appropriation Act No. 1 2000-2001* (the Appropriation Act (No.1)) and this Bill, the Appropriation Act (No. 1) appropriated approximately \$38.5 billion while this Bill appropriates an additional \$1.88 billion. Estimated savings from the Appropriation Act (No. 1) are \$110.7 million, the majority of which (\$68.5 million) comes from the Agriculture, Fisheries and Forestry portfolio. This saving comes from the 'More sustainable, competitive and profitable Australian agriculture, food, fisheries and forestry industries' outcome. Other major estimated savings occur in the Family and Community Services portfolio (\$19.4 million) and the Health and Aged Care portfolio (\$10 million).

Outline of Major Additional Appropriations

- **Defence** – An additional \$1 009 million is appropriated for 'The prevention or defeat of the use of armed force against Australia and its interests' outcome. According to the Second Reading Speech for the Bill this comprises \$659 million transferred from capital and an additional funding of \$350 million. The \$659 million comes from savings in 'Equity injections and loans', for which \$752.9 million was appropriated in the *Appropriation Act (No. 2) 2000-01*.¹ The transfer appears to reflect a feature of the accrual accounting system and according to the Department of Finance paper referred to above, another 4 portfolios are expecting savings in equity injections and loans.
- **Health and Aged Care** – An additional \$223 million is appropriated for this portfolio. The additional funding is spread across the 9 outcomes of the portfolio, with the largest increases relating to:

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- Improved quality, integration and effectiveness of health care (\$66.4 million). The funding principally reflects amounts which were scheduled for expenditure in 1999-2000 but which, due to delays in various programs, were not spent.
- Access through Medicare to cost-effective medical services, medicines and acute health care (\$60.6 million). Reasons for the increased expenditure include the listing of celecoxib on the Pharmaceutical Benefit Scheme and cross-portfolio expenditure relating to the New Community Pharmacy Agreement and the provision of the full Medicare rebate for other medical practitioners in rural and remote Australia.
- Knowledge, information and training for developing better strategies to improve the health of Australians, principally relating to amounts which were scheduled for expenditure in 1999-2000 for medical research and schools (\$45.9 million), and
- Support for healthy ageing for older Australians and quality and cost-effective care for frail older people and support for their carers (\$31 million). The expenditure principally relates to amounts scheduled for expenditure in 1999-2000 for Community Care Establishment Grants, National Respite for Carers and Carelink.²
- **Treasury** – An additional \$216.5 million is appropriated for this portfolio, with the vast majority, \$202 million, being for the Australian Taxation Office (ATO). According to the Second Reading Speech for the Bill \$183 million is for the increased cost of administering the GST while \$20 million is implementation of the New Business Tax.
- **Finance and Administration** – This portfolio will receive an additional \$75.4 million, of which \$52.3 million is for the Department for ‘improved and more efficient government’. This includes an additional \$36.4 million for assistance to the sugar industry. The Office of Asset Sales and Information Technology Outsourcing receives \$23 million principally for ‘improved economic efficiency, industry structure and customer service in business sold from government ownership...’. Approximately \$13.5 million of this is for advisory, administrative and restructuring associated with the purchase of additional shares in the Australian Submarine Corporation.³

Other additional appropriations include:

- \$3.7 million for the Native Title Tribunal
- \$1.9 million for the ABC
- \$5.9 million for the SBS
- \$18.7 million for the Australian Greenhouse Office
- \$10.8 million for the ‘Lawful and orderly entry and stay of people’ outcome of the Immigration and Multicultural affairs portfolio, and

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- \$61 million for the 'Linking Australia through transport and regional services' outcome of the Transport and Regional Services portfolio.

Main Provisions

The amount available for an agency's expenditure on Departmental and administered items is specified in the Schedule to the Bill. The total amount specified in the Schedule is \$1.879 billion (**clause 6**).

Where an amount is specified in the Schedule for an administered item, the Minister for Finance may issue the lesser of the amount specified in the item and the amount determined by the Minister as expenses incurred by the entity in relation to the item in the year (**clause 8**). In relation to departmental items, the Minister must issue the amount specified:

- where an Act specifies that an entity must be paid amounts appropriated for the purposes of the entity and this Bill specifies an amount, or
- for certain payments of remuneration and allowances (**clause 7**).

The Minister for Finance may increase the amount in a Departmental item/s by determination to a total maximum of \$20 million (**clause 10**), while **clause 11** provides that where there are unforeseen circumstances and the need is urgent, the Minister for Finance may increase expenditure by a total of \$175 million. Parliament must be notified of increased spending under clauses 10 and 11.

Clause 14 will formally appropriate the funds for the Bill.

Endnotes

- 1 'Equity injection represents the additional contribution to Defence by the Commonwealth as owner. It is determined on the basis of the amount additional to the Department outcome appropriation required to fund Defence up to the government-agreed level of global funding. Within Defence's global flexibilities the injection can be used for any purpose that increases the net assets of Defence. It is planned to use these funds for investment in new or replacement capital equipment or facilities. The injection is not tied to any specific capital projects.' – Portfolio Budget Statement 2000-01p.vii.
- 2 Portfolio Additional Estimates Statements 2000-2001.
- 3 Portfolio Additional Estimates Statements 2000-2001.

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